



Central Intelligence Agency
Office of the Deputy Director for Intelligence

9 January 1986

NOTE TO: The Honorable John C. Whitehead Deputy Secretary of State

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Per your request for data on West European economic dealings with Libya, we have produced the attached typescript, Western Europe: Economic Links with Libya. In addition to the textual discussion of the economic relationship, the paper includes numerous tables detailing country-by-country dealings with Libya.

If you have any questions or comments, please call Director, Office of European Analysis

Robert M. Gates
Deputy Director for Intelligence

Attachment: As Stated





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Central Intelligence Agency



Washington, D. C. 2050S

9 January 1986

Western Europe: Economic Links with Libya

Summary

Western Europe's well-known reluctance to impose sanctions against Libya is only partly due to economic considerations because overall economic relations with Libya are relatively small. Exports to Libya dropped to an estimated \$3.2 billion last year, less than one-third of the 1981 figure and equal to only 0.4 percent of total exports. Although imports of Libyan oil have fallen less sharply; to about 820,000 b/d last year, they only cover about 7 percent of Western Europe's oil consumption -- an insignificant share given the glut in the world oil market. calculate that even a total cutoff of EC exports to Libya would have only a minimal impact on West European economies. In addition to trade considerations, the West Europeans also fear the loss of perhaps several billion dollars of outstanding loans and unpaid bills owed by Libya. West European unwillingness to apply sanctions against Libya probably is driven more by fear of Libyan reprisals--in Western Europe or against West Europeans working in Libya--as well. as by the desire to maintain good relations with other Arab countries. They also continue to believe that sanctions would be ineffective and might set an unwelcome precedent.

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This memorandum was prepared by	Office of European
Analysis. Questions and comments a	re welcome and may be addressed to
Chief, West Euro	ppean Division

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Declining Exports			
The decline in West European exports to Libya dupast few years is almost entirely due to Libya's find difficulties, rather than any European effort to rest exports. Italy remains by far the largest exporter, estimated sales of \$1.3 billion last year41 percent European total; West Germany is a distant second with about \$600 million. Not surprisingly, West European Libya are dominated by manufactured productsmore th thirds of the total as of 1984with machinery and se goods constituting the two largest sub-categories.	ancial crict with of the Ward sales of exports to an two- mi-finishe	o e d 25)	X1
Libya's share of West European exports has dropp percent in 1981 to a minuscule 0.4 percent in 1985. country most dependent on the Libyan market, with 1.7 its exports going there last yearbut this share is 5.7 percent in 1981. Only two other West European co more than 1 percent of their exports to Libya last ye with about 1.6 percent (down from 9.4 percent in 1981 with an estimated 1.2 percent (down from 5.2 percent	Italy is a percent of down from untries sear: Turke	the of ent	X1
Oil Dependency	L		
Over the last decade or so Libyan oil has typical about 7 percent of Western Europe's total oil consumption oil import volume has fallen somewhat from about 910,01983 to about 820,000 during first-half 1985. Since that been the largest single West European importer of followed closely by West Germany; prior to 1983 the potthe two countries were reversed. Italy and West German account for more than half of Western Europe's oil implicitly.	tion. Net 200 b/d in 1983 Italy Libyan oi Ositions o	1, f	X1
Greece is most dependent on Libyan oil, which cov percent of Greece's total oil consumption in first-hal Following Greece were Turkey and Italy (15 percent eac Switzerland (11 percent) and Austria and West Germany	lf 1985.	+	

Greece is most dependent on Libyan oil, which covered 27 percent of Greece's total oil consumption in first-half 1985. Following Greece were Turkey and Italy (15 percent each), Switzerland (11 percent) and Austria and West Germany (9 percent each). West European vulnerability to a Libyan oil embargo is presumably less than these figures suggest, however, because of the world oil glut--total West European imports of Libyan oil are small in relation to the spare production capacity in other OPEC countries.

Arms Sales

Libya, which gets almost three-quarters of its military assistance from the Soviet Bloc, is a relatively small and declining arms market for Western Europe. After averaging \$730 million annually during 1980-1982, West European arms deliveries

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to Libya fell to \$528 million in 1983 and \$369 million in 1984. Moreover, only \$314 million in new arms agreements were signed during 1983-1984.

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In 1985, the value of West European arms sales agreements with Libya rose considerably, primarily because of a \$500 million Greek arrangement which calls for future deliveries of ammunition, small arms, and various military equipment, including personnel carriers and anti-tank weapons. In addition, Italy signed a \$422 million deal, mainly for the delivery of unassembled trucks, while France signed \$250 million worth of contracts for the provision of spare parts, a naval simulator, and a facility to produce tools and spare parts. We do not believe this increase in agreements, however, will result in an appreciable jump in annual military deliveries to Libya, in part because the deliveries will be spread out over several years. Furthermore, while the French and Italian deals seem fairly solid, the Greek deal is only an agreement in principle and Athens is cautious about going ahead for fear that the United States would respond by curtailing arms sales to Greece, including F-16s. Moreover, all major West European countries have curbed sales of lethal weapons to Libya in light of Libya's occupation of Chad and the terrorist incident at the lihyan Embassy in London.

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Workers in Libya

Information on the number of West European workers in Libya is fragmentary but the total appears to be about 60,000 to 70,000. Turkey clearly heads the list with about 35,000 workers, followed by Italy (16,000) and the United Kingdom (5,000). The Turks are mainly construction workers involved in a variety of projects contracted for by Tripoli. Their numbers have fallen sharply over the last several years and their difficulties in remitting their earnings to Turkey have been a source of great concern to Ankara. Many of the workers from other West European countries are technicians who play a key role in Libya's oil industry.

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<u>Investment</u> and Debt

While our information is limited, Libyan investment in Western Europe appears to be concentrated in Italy. Libya's investments in industrial and commercial firms are mainly held by the Libyan-Arab Foreign Investment Bank. According to press reports, the Bank is worth \$6 billion and has investments in 94 companies, 27 of which are in Western Europe. It now owns 14.5

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percent of Fiat's stockv	worth about \$145 millionbut the	
Last November the Bank pur	controlling interest in the company. rchased a 70-percent interest in Italy's finery, including about 1,000 service	
tations. Libya has bank Turope <u>an countries, inclu</u> c	ing interests in a number of West ding West Germany, France, Italy, and	
Spain.	;	2
ndustry. Inree west Germ Jeminixoperate in Libya,	ment in Libya is concentrated in the oil nan oil firmsVEBA, Wintershall, and two with Libyan partners. West German	
ational energy corporation	ed \$107 million in 1983. Italy's on, ENI, has substantial investments in absidiary, is a large oil producing	
il exploration and produc	The French firm Elf also is engaged in Ction in Libva. Austria's state oil	
ompany, OMV, agreed last argest crude producer. T	June to acquire 12.5 percent of Libya's The United Kingdom has not had	
ut in 1969.	Libya since British Petroleum pulled	2
ebts and unpaid bills out	h as several billion dollars worth of standing to Western Europe, with Italy	
otal about \$800 million f	creditor. The arrearages reportedly or Italy, \$400 million for Turkey, \$125 llion for Spain, and \$40 million for	
reece. In January 1985, ayment but Libya halted t	Italy began taking 40,000 b/d of oil as he oil shipments in August when Rome	
rese payments problems. W	rm LNG contract. Mainly as a result of est Germany and Italy have curtailed	
ff suppliers' credits to	s going to Libya and Italy has also cut Libya.	2
npact on Western Europe o	f Imposing Sanctions on Libya	
ipact on economic growth	ctions on Libya would have little in Western Europe, although it might	
<u>ie ir i ilialic</u> iai Claims aga	eans' investments in Libya as well as inst Tripoli. rather extreme casea total embargo	
emmunity would be lowered	d found that real GDP growth in the by only 0.2 percentage point in the	-
rst year and U.1 point in Temployment rate for the T	n the second year; the impact on the region as a whole would be	
rst-year GDP loss of 0.5 int rise in unemployment.	n economy would be hardest hit with a percentage point and a 0.1 percentage	2
While Western Europe's ould be small, specific fi	s overall economic loss from sanctions irms and regions could suffer	

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substantially. Exporters to Libya--led by Fiat--probably would be the biggest losers. Rome, for example, is counting on truck sales to Libya to help keep a troubled Fiat plant in Bolzano in operation. A cutoff of Libyan payments would also cause serious financial problems for several small Italian manufacturing and construction firms, and perhaps for some banks as well. And of course the oil companies operating in Libya could be hurt by a Libyan seizure of their assets there. All of these affected groups, along with West European arms producers, undoubtedly would lobby hard for a quick end to the sanctions.

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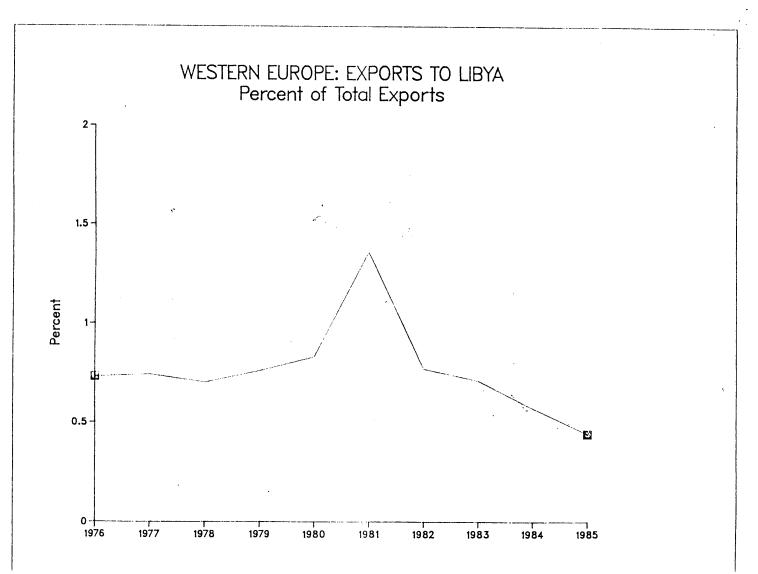
<u>Implications</u>

We believe the West Europeans' reluctance to impose sanctions is not primarily driven by their economic ties to Libya. In our view, it is more a reflection of West European governments' concern about possible reprisals against their citizens in Libya and about increased Libyan-sponsored terrorism at home. Given Libya's support within the Arab League, the West Europeans may also fear that sanctions would endanger their more extensive economic relations with other Arab countries. Finally, the West Europeans remain convinced that economic sanctions rarely are effective and are concerned that imposing sanctions in this case might set an unwelcome precedent for the future.

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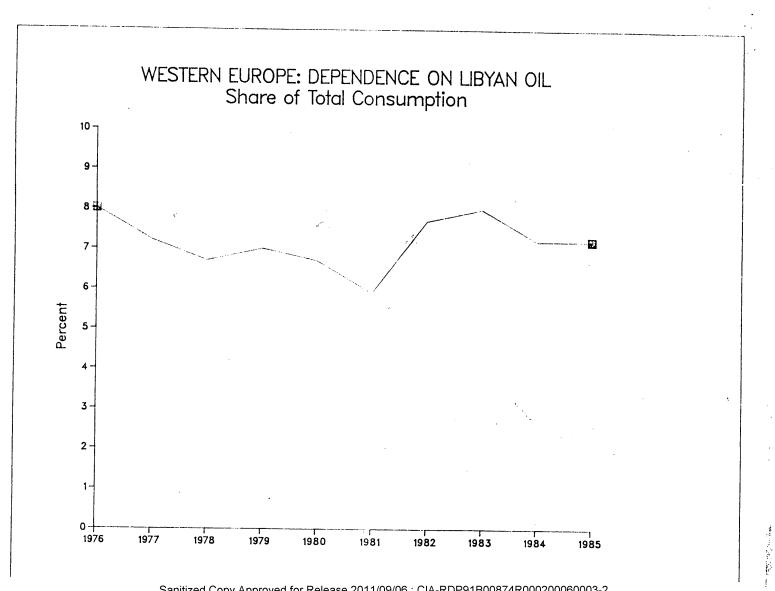


Table 1 Western Europe: Value of Exports To Libya, 1976-1985

(million US dollars)

	<u>1976</u>	1977	<u>1978</u>	1979	1980	1981	1982	1983	1984	1985
Western Europe	2909	3424	3870	5287	6689	10151	5567	. 5019	4158	3180
European Community	² 2503	3075	3463	4804	5918	8781	4704	4238	3450	2690
Belgium/Luxembourg Denmark France Ireland Italy Netherlands United Kingdom Germany Greece	142 18 350 21 997 82 242 522 130	231 19 398 32 1225 92 303 650 125	135 17 533 34 1304 90 412 822 114	130 21 650 84 1926 122 528 1177 166	279 31 671 138 2545 166 670 1251 168	383 55 907 100 4297 267 1067 1486 220	108 33 428 57 2141 192 460 1173 113	81 51 334 61 2104 246 417 841 102	104 27 212 41 1660 185 328 804 89	68 16 220 33 1293 143 281 583
Other West European Countries	406	349	407	. 483	771	1371	863	781	708	490
Austria Finland Norway Portugal Spain Sweden Switzerland Turkey	43 19 4 6 129 117 78 10	51 10 5 6 160 23 80 14	62 11 8 1 125 47 104 50	91 39 9 4 174 69 54 43	122 54 10 5 358 76 86 60	149 65 7 5 427 177 99 442	121 49 9 2 267 94 86 235	107 30 7 2 276 76 99 184	97 28 3 2 267 71 100 142	68 17 3 151 55 73 120

 $^{^{}m 1}_{
m Estimate}$ $^{
m 2}_{
m Excluding}$ Spain and Portugal

Table 2
Western Europe: Share of Exports To Libya, 1976-1985

							(pe	rcent of	total	exports
	<u>1976</u>	1977	1978	1979	1980	1981	1982	1983	1984	198
							; ;			
Western Europe	0.73	0.74	0.70	0.76	0.83	1.36	0.77	0.71	0.57	0.44
European Community	^{,2} 0.76	0.80	0.75	0.83	0.89	1.43	0.80	0.74	0.59	0.46
Belgium/Luxembourg Denmark France Ireland Italy Netherlands United Kingdom Germany Greece	0.43 0.20 0.61 0.63 2.68 0.21 0.53 0.51 5.07	0.61 0.19 0.61 0.73 2.70 0.21 0.54 0.55 4.54	0.30 0.15 0.67 0.60 2.33 0.18 0.61 0.58 3.38	0.23 0.14 0.65 1.17 2.67 0.19 0.61 0.68 4.29	0.43 0.18 0.58 1.62 3.28 0.22 0.61 0.65 3.25	0.69 0.34 0.85 1.30 5.71 0.39 1.04 0.84 5.17	0.21 0.22 0.44 0.70 2.91 0.29 0.47 0.66 2.62	0.16 0.32 0.35 0.71 2.89 0.38 0.45 0.50 2.30	0.20 0.17 0.22 0.43 2.26 0.28 0.35 0.47 1.86	0.14 0.10 0.23 0.34 1.74 0.22 0.29 0.34 1.20
Òther West European Countries	0.59	0.45	0.43	0.41	0.55	1.03	0.67	0.61	0.51	0.35
Austria Finland Norway Portugal Spain Sweden Switzerland Turkey	0.50 0.30 0.05 0.33 1.48 0.63 0.53 0.50	0.53 0.13 0.06 0.31 1.57 0.12 0.45 0.77	0.51 0.13 0.08 0.02 0.96 0.21 0.44 2.17	0.59 0.35 0.07 0.10 0.95 0.25 0.21 1.91	0.70 0.38 0.05 0.11 1.73 0.25 0.29 2.07	0.94 0.46 0.04 0.11 2.10 0.62 0.37 9.40	0.78 0.37 0.05 0.05 1.30 0.35 0.33 4.07	0.70 0.24 0.04 0.04 1.40 0.28 0.39 3.22	0.61 0.20 0.02 0.03 1.13 0.24 0.39 1.99	0.43 0.14 0.02 0.01 0.67 0.19 0.29 1.60

¹Estimate ²Excluding Spain and Portugal

(1,000 b/d)

	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	1980	<u>1981</u>	1982	1983	1984	1985
Western Europe	1110	982	936	997	896	733	907	912	830	818
European Community	943	815	756	819	687	557	692	705	636	661
Belgium/Luxembourg	0	0	3	10	5	2	61	47	31	3
Denmark 5	(2	L 57	0	0	0	0	0	1	0	0
France West Germany	63 423	57 395	68 307	83 358	41 312	33 216	51 226	63 212	74 195	48 204
Greece	38	393	5	24	56	65	50	52	49	63
Ireland	0	ő	0	0	0	0	0	0	0	03
Italy	343	280	304	306	252	214	219	218	227	248
Netherlands	19	23	39	24	19	18	38	82	38	47
United Kingdom	55	49	30	15	. 3	9	46	30	23	49
Other West										1
European Countries	168	168	180	178	209	176	21.5	207	194	157
Austria	20	15	18	19	22	15	23	13	20	18
Finland	0	0	0	. 0	0	0	0	0	0	0
Norway	11	7	8	4	1	1	0	0	0	0
Portugal	3	0	0	0	0	0	2	_3	_0	0
Spain	103	116	114	111	97	92	80	79	79	59
Sweden	10	8	8	13	19	3	23	16	. 0	1
Switzerland	7	7	20	20	22	12	19	35	40	27
Turkey	13	15	12	11	48	53	68	61	54	52

 $rac{1}{2}$ Imports from Libya of crude and products minus exports to Libya of products.

³Excluding Spain and Portugal

Table 4
Western Europe: Net imports of Libyan oil
as a share of total oil consumption, 1976-1985

(percent) 1976 1977 1978 1979 1980 1981 1985 ¹ 1982 1983 1984 Western Europe 8.0 7.2 6.7 7.0 6.7 5.9 7.7 8.0 7.2 7.2 European Community²8.6 7.6 6.8 7.2 6.6 5.8 7.7 8.0 7.1 7.6 Belgium/Luxembourg 0 0.6 1.7 0.9 0.5 13.0 11.2 7.5 0.6 Denmark 0.3 0.4 0 0 0.1 0 0 0.6 0 0 2.5 France 2.6 2.9 3.5 1.9 1.5 2.8 4.3 3.5 2.8 14.4 West Germany 15.2 10.8 12.2 11.9 9.2 10.1 8.8 9.6 9.2 Greece 18.0 4.2 2.0 9.7 22.5 27.3 21.1 22.7 20.8 27.0 Ireland 0 0 0 0 0 0 0 0 0 Italy 17.4 14.6 15.2 14.8 12.9 11.2 12.1 12.2 13.4 14.6 Nether lands 2.4 3.0 5.0 , 2.9 2.4 2.6 6.2 14.1 6.6 8.2 United Kingdom 3.0 2.7 1.6 8.01 0.2 0.6 3.1 2.1 1.3 3.0 Other West European Countries 5.7 5.9 6.3 6.0 7.1 6.3 7.9 7.8 7.5 5.1 Austria 8.5 6.7 7.6 7.7 8.8 7.0 10.9 6.4 10.1 9.1 Finland 0 0 0 0 0 0 ŋ 0 Ŋ 0 6.4 Norway 3.7 4.5 🔍 1.9 0.6 0.9 0.2 0 0 0.1 Portuga 1 1.9 0 $0.2 \\ 12.3$ 0.2 11.3 0.2 9.3 0 1.0 0.2 0.1 Spain 10.7 12.8 9.1 8.3 8.4 9.0 6.7 Sweden 1.8 1.5 1.4 2.3 3.8 8.0 5.3 4.4 0 0.4 Switzerland 2.8 2.6 7.4 8.6 7.6 5.0 8.6 14.3 16.8 11.4 Turkey 4.2 4.5 3.9 3.8 16.2 17.1 20.6 18.8 15.8 15.0

1 Estimate

²Excluding Spain and Portugal

Table 5

Western Europe: Military Assistance To Libya*, 1980-1984

A = AGREEMENTS

D = DELIVERIES

(million US dollars)

	198	<u> 0</u>	198	<u>31</u>	19	82	198	<u>83</u>	19	84	198	35
	Α	D	Α	D	Α	D	Α	D	Ä	D	Α	D
TOTAL	365	668	106	544	193	553	1	388	106	228	1172	243
Austria			NEGL	NEGL				- -				
Belgium	277	93		216		NEGL		'				
Finĺand		5		5		5			, 			
France	56	104		97		395		180		60	250	;
Germany	1	302	72	15	5	37			3	20		8
Greece									NA		500	
Italy	NEGL	110	3	190	183	108	NEGL	176	97	147	422	235
Netherlands	18	18	30	8				30				
Spain	NEGL	NEGL		NA			1	1	1	1		
Sweden				、								
Switzerland					· 1			1				
Turkey	5	3		13		3	NA	NEGL				
United Kingdom	8	33	1		4	` 5						

Table 6

Western Europe: Norkers Currently in Libya

Turkey	35,000
Italy	16,000
United Kingdom	5,000
Greece	2,000
Portugal	1,700
Germany	1,500
France	1,200
Ireland	1,000
Netherlands	450
Austria	200

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Table 7

WESTERN EUROPE: SELECTED COMPANIES DEALING WITH LIBYA

Manuafacturing and Service Companies

West Germany

BASF
Brown Boveri & Compagnie
Buckau-Walther AG.
Detecon
Kloeckner-Humboldt-Deutz
Kutluat
Liquid Gas Anlagen
Siemens
Thyssen Engineering
VEBA

France

Air France
BBC Brown
Bouygues
EMH
Societe Internationale de Dessalement
Societe Nationale Elf Aquitaine (Elf)
Sofrerail
Spie Batignolles
USINOR

United Kingdom

Barkley Bank
Brown & Root
Brush Transformers
Cubitt & Partners
Imperial Chemical Industries (ICI)
John Brown Offshore
Motherwell Bridge
Tilden Industries
Transmark
Weir Group

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Spirit of

Manufacturing and Service Companies (continued)

Italy

AGIP North Africa & Middle East (Subsidiary of ENI)
Belleli
Fasano
Fiat
Micoperi
SNAM (Societa Nazionale Metandotti) (Subsidiary of ENI)
Snamprogetti (Subsidiary of ENI)
Technimont
Transmediterranea di Navigazione

Spain

Construcciones Internacionales Ferrovial Foster Wheeler Iberia Huarte Page Iberia, S.A.

Netherlands

Royal Boscalis Westminster

Switzerland

Geos Ingenieur-Conseil Marc Rich Co. AG Sulzer Escher Wyss Unibuild

Belgium

Ateliers de Constructions Electriques de Charleroi Belgonucleaire Cockerill Electrobel Electrobel Engineering International Fabricom Tractionel

<u>Austria</u>

Voest-Alpine

Norway

Aircontact

Manufacturing and Service Companies (continued)

Turkey

Dogus Construction ENKA Temel Investigation

Luxembourg

TRATCO

Defense Industries

France

Aerospatiale Construction Mecaniques de Normandie Dassault Electronique Marcel Dassault Engins Matra Matra SA Thomson-CSF TRT

United Kinadom

Alvis British Aerospace Dynamic Group Daimler Company

Italy Augusta Bell Fiat Oto Melara Spa Siai-Machetti

Financial Institutions

West Germany

Commerzbank * Deutsche Bank Dresdner Bank

France

Banque de Paris

Financial Institutions Dealing with Libya (continued)

<u>United Kingdom</u>

Barclay's Bank Lloyds

I. ..

<u>Italy</u>

Banca Nazionale del Lavoro Banca di Roma

Netherlands

Algemene Bank

Austria

Austrian Central Bank Creditanstalt Bankverein

Norway

Christiana Bank

Turkey

Akbank
Garanti Bankasi
Is Bankasi
Pamukbank
Ticaret Bankasi
Uluslararasi Bankasi
Vakiflar Bankasi
Yapi ve Kredi Bankasi

Greece

Bank of Greece

Malta

Central Bank of Malta

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